UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington

HS-24 October 18, 1938

THE HOG SITUATION

Summary

The seasonal increase in hog marketings now in progress probably will continue during the next 3 months, reports the Bureau of Agricultural Economics. Slaughter supplies of hogs during the coming winter and spring seasons will be larger than a year earlier. And for the new marketing year, which began October 1, slaughter is expected to be larger than in any year since 1933-34. Consumer demand for hog products in the 1938-39 marketing year, however, is likely to be somewhat stronger than in 1937-38.

The trend in hog prices has been downward since late July, and prices declined fairly sharply in late September and early October. For the week ended October 8 the average price of butcher hogs at Chicago was $8.45 compared with about $9 in mid-September and about $9.65 in mid-July. The drop in prices since July reflects chiefly the increase in marketings of new-crop hogs. The market movement of such hogs got under way in volume considerably earlier than usual this year. Ordinarily hog marketings in August or September are the smallest for any month of the year, but supplies in July were less than in either August or September.

The annual hog outlook report will be released by the Bureau of Agricultural Economics the first week in November. This report, which will contain information with respect to prospective trends in production and prices of hogs, will be carried in full in the November issue of the Hog Situation.

REVIEW OF RECENT DEVELOPMENTS

Background.- The total live weight of hogs slaughtered under Federal inspection in the 1937-38 marketing year, which ended September 30, was somewhat larger than that of the preceding year. Partly because of the increase in supplies but largely because of weakness in consumer demand the average price paid by packers for hogs in 1937-38 of about $8.40 was about $1.75 lower than in 1936-37. Hog prices declined sharply in the first quarter (October-December) of the 1937-38 marketing year because of the weakness in demand and a large seasonal increase in marketings. From late January to early March prices advanced seasonally and then trended downward until late May. From late May to mid-July prices again advanced, but declined fairly sharply from late July to early October.

Hog prices weaken in late September and early October

After strengthening somewhat in the first half of September, hog prices declined sharply late in that month and in early October. The average price of butcher hogs at Chicago for the week ended October 15 was $7.85, compared with about $9 in mid-September and about $9.65 in mid-July - the highest weekly average during the summer.

In the past 2 months prices of light butcher hogs have been somewhat lower than prices of other butcher hogs, and during September prices of heavy butcher hogs up to 300 pounds sold about as high as medium weight hogs. In most of the past year the spread between prices of heavy butcher hogs and medium weight hogs has been relatively wide. The higher prices for heavy hogs relative to light hogs in the past several weeks probably reflects the increasing proportion of light new-crop hogs in the market supplies.

Marketings in September larger than in August

Inspected hog slaughter in September, totaling 2,671,000 head, was somewhat larger than in August and 31 percent larger than in September last year. Ordinarily slaughter in August or September is the smallest for any month of the year, but slaughter in July this year was smaller than in either August or September. The larger marketings in August and September than in July reflect the unusually early market movement of spring pigs this year. The weakness in hog prices since late July is due largely to this increase in marketings of new-crop hogs.

Hog slaughter under Federal inspection in the 1937-38 marketing year, which ended September 30, totaled about 34.6 million head, which was only 438,000 head larger than in 1936-37. As the average weight of hogs slaughtered, however, was much heavier than in 1936-37, the total live weight of hogs slaughtered under Federal inspection in 1937-38 was about 8 percent greater than in the preceding marketing year.

October 1 pork stocks about the smallest on record

Although slaughter supplies of hogs increased during August and September, all of this increase and more was reflected in the movement of hog products into current consumption, as stocks of pork and lard were reduced. Storage holdings of pork on October 1 were 17 percent smaller than a month earlier, and they were about the same as on October 1, 1935, when stocks were the smallest in the 23 years of record. Stocks of lard were smaller than a month earlier, but they were somewhat larger than on October 1 last year.

Storage holdings of pork and lard, specified dates

Date	5-year average 1929-30 to 1933-34: Pork	Lard	1935-36 Pork	Lard	1936-37 Pork	Lard	1937-38 Pork	Lard
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.
Nov. 1	431	69	241	41	355	95	266	39
Jan. 1	565	72	327	53	667	146	399	54
Mar. 1	759	103	451	79	776	202	583	117
July 1	713	150	435	107	578	185	418	126
Sept. 1	605	135	421	111	368	118	335	117
Oct. 1	515	104	362	102	283	73	1/278	1/ 90

1/ Preliminary.

Fresh pork prices decline in late September and early October

Wholesale prices of fresh pork advanced somewhat during the first half of September, but declined sharply in late September and early October. The decline in prices in recent weeks has been greater for the light cuts of fresh pork than for other cuts. This doubtless reflects in part the increasing proportion of light hogs in the market supplies. Wholesale prices of cured pork strengthened a little in September and prices of lard were about steady. The average price of refined lard at Chicago in September, however, was the lowest for any month in the past 4 years.

August exports of pork and lard larger than a year earlier

Exports of both pork and lard in August were smaller than in the preceding month, but they continued considerably larger than a year earlier. Pork exports totaling about 6.5 million pounds were about 2 million pounds larger than in August last year. Lard exports in August amounted to 10.8 million pounds compared with 7.2 million pounds a year earlier. For the first 11 months of the 1937-38 marketing year, October through August, exports of pork were about 50 percent larger than in 1936-37, and exports of lard were about twice as large as in the preceding year. Despite this increase, exports are still considerably smaller than in the years prior to 1934.

Imports of pork in August totaled about 4 million pounds compared with 6.8 million in August last year. Thus far in 1938 imports of pork have been considerably smaller than in the corresponding period of 1937.

OUTLOOK

The hog outlook has not changed materially during the past month. Slaughter supplies of hogs in the 1938-39 marketing year, which began October 1, will be considerably larger than in the previous year.

Seasonal changes in hog marketings

The seasonal increase in marketings now in progress probably will continue during the next 3 months. The percentage increase in supplies from September through January may not be as large as it was during that period last year, as marketings of new-crop hogs got under way in large volume earlier this year than last. In addition, the number of old-crop hogs on hand at the end of the summer this year was considerably smaller than a year earlier.

In other years when the hog-corn price ratio has been high and hog slaughter has been considerably larger than in the previous year, marketings in the second quarter (January-March) of the year have been larger than in the first quarter (October-December). If this should be the case in the present marketing year (1938-39), the seasonal reduction in hog marketings in the late winter and early spring probably will be less than usual.

Stronger consumer demand expected in 1938-39

Consumer demand for meats for the 1938-39 marketing year is likely to average stronger than in 1937-38. This prospect is much different from the situation prevailing in the preceding year, when consumer demand weakened materially. Storage and export demand for hog products this coming winter may be better than a year earlier.

Annual Farm Outlook Report to be released in early November

The annual hog outlook report, which is one of the several sections of the regular annual Agricultural Outlook report of the Bureau of Agricultural Economics, will be released in early November. This report will cover the outlook and prospects for hogs during the next year, and it will be given in full in the November issue of THE HOG SITUATION.

Prices of hogs and hog products, specified periods

Item	Unit	Sept. 1937	Aug. 1938	Sept. 1938	Oct. - Sept. Average 1928-29 to 1932-33	Oct. - Sept. 1935-36	Oct. - Sept. 1936-37	Oct. - Sept. 1937-38
Average price:	Dollars per 100							
Seven markets	pounds	11.10	7.80	8.31	1/	9.64	10.28	8.33
Chicago	do.	11.37	7.76	8.35	6.99	9.90	10.49	8.47
U. S. average price received by farmers...	do.	10.55	7.81	8.07	6.43	9.15	9.66	8.07
Prices of hog products, Chicago:								
Loins, 8-10 lb.	do.	26.54	21.04	22.22	17.07	21.21	22.28	19.68
Hams, smoked, reg. No. 1 10-12 lb.	do.	27.75	23.15	23.75	20.31	26.58	24.65	23.56
Bacon, smoked No. 1, dry cured, 6-8 lb...	do.	33.95	25.40	25.25	23.71	30.86	28.58	26.99
Lard, refined, H. W. tubs	do.	13.05	8.97	8.91	9.68	12.65	13.13	9.90
Average price of No. 3 yellow corn, Chicago....	Cents per lb.	106	54	53	62	74	115	57
Hog-corn price ratio: 2/								
Chicago	Bushel	10.7	14.5	15.8	11.6	14.1	9.2	14.8
North Central States..	do.	11.8	18.1	18.8	12.9	15.8	9.4	17.6
Proportion of packing sows in total packer and shipper purchases, seven markets 3/.......	Percent	29.0	33.0	22.0	1/	16.0	15.0	13.0
Average weight at seven markets	Pound	248	264	241	1/	241	231	246

1/ Not available.
2/ Number of bushels of corn equivalent in value to 100 pounds of live hogs.
3/ Monthly figures computed from weekly averages.

Supplies of hogs and hog products, specified periods

Item	Unit	Aug. 1937	July 1938	Aug. 1938	Oct. - Sept. Average 1928-29 to 1932-33	Oct. - Sept. 1935-36	Oct. - Sept. 1936-37	Oct. - Aug. 1936-37	Oct. - Aug. 1937-38
Hog slaughter under Federal inspection:									
Number slaughtered 1/	Thousands	1,590	2,254	2,467	46,363	31,022	34,142	32,110	31,909
Live weight:									
Average......	Pound	238	260	245	231	232	221	220	234
Total	Mil.lb.	378	585	604	10,723	7,191	7,538	7,065	7,480
Dressed weight									
Average	Pound	173	195	182	175	175	164	164	176
Total	Mil.lb.	275	437	448	8,069	5,402	5,586	5,245	5,603
Yield of lard per 100 pounds live weight of hogs	Pound	9.4	12.5	12.3	15.2	12.1	10.9	11.0	12.4
Production of lard	Mil. lb.	35	73	74	163.0	870	833	790	926
Apparent cons:									
Pork, including lard 2/	do.	408	461	486	7,171	5,124	5,601	5,136	5,289
Lard	do.	67	62	70	961	712	756	676	693
Exports: 3/									
Pork	do.	5	9	6	211	69	59	55	82
Lard	do.	7	13	11	657	101	107	97	189
Imports of pork 3/	do	7	5	4	6	32	72	66	53
Proportion of sows in inspected slaughter 4/.....	Percent	58.1	60.4	58.6	51.2	51.9	51.1	50.8	49.9

1/ Bureau of Animal Industry.
2/ Represents apparent disappearance of federally inspected pork plus unrendered hog fats.
3/ United States Department of Commerce. Pork includes bacon, hams and shoulders, and fresh, canned, and pickled pork. Lard includes neutral lard.
4/ Includes gilts.